

Message Text

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PAGE 01 WELLIN 00315 282148Z

12

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SUBJECT: CURRENT ACCOUNT DEFICIT SUFFERS ANOTHER MONTHLY INCREASE

REF 75 WELLINGTON 3862

1. IN DECEMBER 1975 THE CURRENT ACCOUNT DEFICIT ROSE TO \$NZ119 MILLION (ALL FIGURES IN THIS TELEGRAM ARE IN NZ DOLLARS). \$NZ1.00 EQUALS \$US1.0541 ON JAN. 28). THIS IS THE THIRD STRAIGHT MONTH IT HAS RISEN; \$68 .MILLION IN OCTOBER AND \$84 MILLION IN NOVEMBER. HOWEVER IT IS LESS THAN THE \$128 MILLION RECORDED IN DECEMBER 1974.

2. IMPORT PAYMENTS ROSE TO THE HIGHEST RECORDED LEVEL OF NEARLY \$254 MILLION, A JUMP OF OVER \$19 MILLION ABOVE NOVEMBER AND \$17.2 MILLION OVER OCTOBER, THE PREVIOUS HIGH. THEY WERE \$215 MILLION FOR DECEMBER 1974.

3. ON THE SOMEWHAT BRIGHTER SIDE, EXPORT RECEIPTS IN DECEMBER ROSE TO \$180 MILLION (UP FROM \$160.8 MILLION IN NOVEMBER), WITH WOOL AND FOREST PRODUCTS SHOWING THE
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PAGE 02 WELLIN 00315 282148Z

LARGEST INCREASES (UP \$13.5 MILLION OR 69.6 PER CENT

AND \$8.2 MILLION OR 81 PER CENT RESPECTIVELY FOR THE MONTH). IN DECEMBER 1974 RECEIPTS TOTALLED \$129 MILLION.

4. OF THE DECEMBER CAPITAL INFLOWS OF \$34.8 MILLION, \$32.1 MILLION WAS IN THE PRIVATE SECTOR. THE PRIVATE SECTOR ALSO ACCOUNTED FOR MOST (\$17.9 MILLION) OF THE \$20.3 MILLION CAPITAL OUTFLOWS FOR THE MONTH.

5. THE CURRENT ACCOUNT DEFICIT FOR THE THREE MONTHS ENDING DECEMBER (\$271 MILLION) WAS THE HIGHEST RECORDED SINCE DECEMBER 1974. THE INVISIBLES DEFICIT ON THE OTHER HAND, DROPPED TO \$69 MILLION (VS. \$133 MILLION FOR THE PREVIOUS QUARTER) DUE TO AN INCREASE IN INVISIBLES RECEIPTS, ESPECIALLY FOR TRANSPORTATION AND TRAVEL. BUT LARGER INTEREST PAYMENTS ACCOUNTED FOR MOST OF THE PAYMENTS INCREASE.

6. THOUGH EXPORT RECEIPTS CONTINUED THEIR QUARTERLY INCREASE, TO \$524 MILLION, THE QUARTERLY IMPORT PAYMENTS ROSE MORE, TO \$725 MILLION (13 PER CENT IN THE MOST RECENT QUARTER). IN THE SEPTEMBER QUARTER THEY WERE \$619 MILLION AND \$601 MILLION IN THE JUNE AND \$350 MILLION IN THE MARCH QUARTERS.

7. RECEIPTS FOR ALL MAJOR COMMODITY EXPORTS INCREASED. MANUFACTURED EXPORTS, WOOL AND DAIRY PRODUCTS (IN PARTICULAR BUTTER AND CHEESE) LED THE LIST OF INCREASES. (THE AUGUST 15 PER CENT DEVALUATION AFFECTS COMPARABILITY.)

8. NET CAPITAL INFLOWS DURING THE LATEST QUARTER TOTALLED \$283 MILLION.

9. THE CURRENT ACCOUNT DEFICIT FOR 1975 WAS \$985.4 MILLION COMPARED WITH \$816 MILLION FOR THE YEAR EARLIER. IMPORT PAYMENTS ROSE TO \$2,476 MILLION, 9 PER CENT OVER 1974. THE INVISIBLES DEFICIT WAS \$386 MILLION (35 PER CENT HIGHER THAN 1974). EXPORTS INCREASED 7 PER CENT TO \$1,876 MILLION FOR 1975.

10. CAPITAL RECEIPTS REACHED \$1,038.8 MILLION
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PAGE 03 WELLIN 00315 282148Z

(VS. \$609.2 MILLION IN 1974 AND \$184.7 MILLION IN 1973). OFFICIAL BORROWING ACCOUNTED FOR JUST UNDER ONE-HALF (\$511.4 MILLION) AND PRIVATE BORROWING (\$360.7 MILLION) ACCOUNTED FOR A LITTLE OVER ONE-THIRD. WITH A TOTAL CAPITAL OUTFLOW OF \$374.6 MILLION THE CAPITAL ACCOUNT BALANCE WAS A PLUS \$664.2 MILLION. AN ADDITIONAL \$161.1 MILLION WAS DRAWN FROM THE IMF, MAKING A NET CAPITAL INFLOW \$825.3 MILLION.

11. THE OFFICIAL FOREIGN EXCHANGE RESERVES INCREASED TO
\$546.7 MILLION AT THE END OF THE YEAR. THE AUGUS 10
DEVALUATION OF 15 PER CENT INCREASED THE APPARENT AMOUNT OF
RESERVES AS EXPRESSED IN NZ DOLLARS.
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